

CITY AUDITOR'S OFFICE



INTERNAL CONTROL REVIEW ACTIVITY REPORT JUNE 30, 2007

Report No. CAO 2900-0708-02

August 10, 2007

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CITY AUDITOR

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BACKGROUND

The City Auditor's Office has the responsibility to Evaluate, Enhance, Educate, and Enforce internal control issues that come to the Office's attention.

- **Evaluate** - The Office independently and objectively performs Internal Control Reviews to evaluate applicable internal controls through professional expertise and judgment.
- **Enhance** - After evaluation, the Office makes recommendations to enhance the adequacy and effectiveness of existing controls and further recommends additional controls as appropriate.
- **Educate** - Through the Internal Control Review Memorandums to management and the periodic *Internal Control Review Activity Reports*, the Office educates management and others of appropriate internal controls.
- **Enforce** - Enforcement is limited to supplying data to management to help them enforce the policies and procedures of the City.

The results of the Internal Control Reviews are reported in two steps:

- An Internal Control Review Memorandum is released to the appropriate levels of management and the Mayor and City Council. This Memorandum assists management in the timely correction of control deficiencies.
- Semiannually, a summary report is made of all findings and recommendations from the Internal Control Review Memorandums and released in a formal *Internal Control Review Activity Report*.

This report summarizes the Internal Control Review Memorandums issued since the last *Internal Control Review Activity Report* (December 31, 2006), including findings, recommendations, and management responses. The recommendations are included in the follow-up system for tracking purposes.

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OBJECTIVES

Our objectives in completing the *Internal Control Review Activity Report* are to:

- Review all activity for the period noted relative to internal control reviews;
- Document for tracking purposes findings and recommendations noted in Internal Control Review Memorandums; and
- Report to the public the results of activities of the City Auditor's Office.

The objectives of each of the Internal Control Reviews were to:

- Determine the adequacy of existing internal controls;
- Determine the reason(s) for any control failure;
- Recommend corrective action; and
- Report the results of our review.

SCOPE AND METHODOLOGY

The scope of the audit was limited to Internal Control Review Memorandums issued from January 01, 2007 through June 30, 2007.

The scope of our work on internal control was limited to the controls within the context of the objectives and the scope of each Internal Control Review.

Our audit methodology during each of the Internal Control Reviews included:

- Observing operations.
- Interviewing personnel.
- Reviewing records, reports, and other applicable documentation.

We conducted this performance audit in accordance with generally accepted government auditing standards except for the requirement for an external peer review every three years. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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INTERNAL CONTROL MEMORANDUMS ISSUED

ICR 017 Internal Control Review: Gas Theft - Durango Hills Golf Course

Background

On December 6, 2006, during non-business hours, the Durango Hills Golf Course Maintenance yard was broken into and approximately 20 gallons of unleaded gasoline was taken from the pump. Locks were cut off from both the gates and gasoline pump in the process.

Findings and Conclusions

The following control weaknesses contributed to this theft:

- There was no surveillance camera directed at the fuel pumps to deter the theft of gasoline.
- Power to the fuel pumps were not turned off at night.

Recommendations

The following recommendations are made to improve the security over the fuel pumps at the Durango Hills Golf Course:

Recommendation 1:

Field Operations Management should install a surveillance camera near the fuel pumps to deter and detect theft.

Recommendation 2:

Field Operations Management should formally request the contractor at DHGC require that all power to fuel pumps be turned off each night.

Recommendation 3:

Field Operations Management should evaluate the security of the gates and supply area and consider installing enhanced locks and alarming the entrance gates.

**ICR 034 Internal Control Review: Leisure Services (Community Schools)
Soccer Tournament**

Background

A website was forwarded to the City Auditors' Office for review showing the following information:

- *Las Vegas Veteran's Day Classic Invitational Presented by Bright Soccer Tournament, Inc and sponsored by the Molasky-Cadwallader Community School.*
- The tournament was scheduled to be at the City of Las Vegas Kellogg-Zaher Park Soccer Complex located at Buffalo and Washington on November 11 & 12, 2006.
- The contact phone number belonged to a part-time Community School employee. The website mentioned a cash prize of \$1,000 for the winning team.

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- The \$450 registration fee was to be made payable to Bright Soccer Tournament, Inc., PO Box 34602, Las Vegas, NV 89133.

The identified cash prize, the contact information that was a non-city phone number and address, and the identified co-sponsor raised several questions about the City's involvement in this tournament.

When we informed Leisure Services Management of this scheduled event, it was cancelled.

Findings/Conclusions

- On April 3, 2006, the Municipal Sports Unit sent out a memo requesting that all Community School and Community Center Coordinators respond back with their utilization needs for the City's athletic fields.
- A former city employee and then current Cadwallader Community School Coordinator responded to this memo requesting use of the Buffalo and Washington soccer fields for various times throughout the year including from November 10th through 12th. He identified the "Event Name" for these dates as "11 v 11 Adult Soccer League", the ongoing Community School soccer league program.
- This description of the event in reserving the soccer fields was deceptive as no mention was made of a tournament or the involvement of an outside organization. In addition, the request for use of the fields for three days was unusual in comparison to the typical schedule of the "11 v 11 Adult Soccer League".
- There was no evidence that the scheduling request was reviewed and approved by the Community School Coordinator's Field Supervisor.
- If this tournament had taken place as planned, the City would have been deprived of field usage fees typically charged to outside organizations.
- Bright Soccer Tournament, Inc. did not possess a valid City of Las Vegas business license.
- The part-time Molasky Community School employee who ran the soccer leagues stated that he had informed the Molasky Community School Coordinator of this tournament and had made hundreds of fliers for the event at the Community School. He also posted the tournament on several soccer websites.
- The Molasky Community School Coordinator denied knowing anything about this tournament.

Recommendations

The following recommendations are made to improve the process of Leisure Services:

Recommendation 1:

Leisure Services Management should evaluate and document its internal field scheduling process and require more complete information and justification from employees for the requested use of its fields. Forms could be created requiring users to answer specific questions about the intended

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use of a field and whether any outside organizations are involved. Management should closely scrutinize the field usage requests. The required management approvals for the field usage requests should be identified.

Recommendation 2:

Leisure Services Management should take steps to educate its employees on departmental and city policies in working or entering into agreements with outside organizations.

ICR 035 Internal Control Review: Fleet Services - Gas Card Theft

Background

On November 13, 2006, an incident report was taken by Detention & Enforcement concerning the break-in of a city vehicle. According to the incident report, a CNG card was missing from the vehicle. Fleet Services was not made aware of the stolen CNG card at the time of the incident report.

Upon review of the November invoice from the CNG provider, Fleet Services discovered 295 non-CNG charges totaling \$8,503.54 with the stolen CNG card at gas stations in Washington State. The Fleet Services manager immediately cancelled the card upon discovery of these charges.

Findings/Conclusions

The following control weaknesses contributed to this theft:

- The pin number used to activate the card was written on the outside of the CNG card carrying sleeve and left inside the vehicle.
- Fleet Services Management was mistakenly under the impression that only CNG products could be purchased with the CNG card.
- A process to alert Fleet Services of stolen cards or city vehicle break-ins has not been established.

Recommendations

The following recommendations are made:

Recommendation 1: All CNG card pin numbers should be kept confidential. The pin numbers should not be written on the card carrying sleeves.

Recommendation 2: Fleet Services in coordination with the CNG fuel distributor should restrict CNG card usage for CNG and to specific localities.

Recommendation 3: Detention & Enforcement should establish a process whereby Fleet Services management is alerted when a city vehicle is involved in an incident.

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**MANAGEMENT RESPONSES
TO
INTERNAL CONTROL REVIEW ACTIVITY REPORT**

1. ICR 017 Internal Control Review: Gas Theft - Durango Hills Golf Course

Recommendation 1:

Field Operations Management should install a surveillance camera near the fuel pumps to deter and detect theft.

Management Response: The cost of installing and monitoring a camera is not justified at this time based experience to date. The Department has directed staff at the course to insure that the power is shut off at the end of each shift. Additionally a timer has been installed on the power supply to insure that service is not available after hours.

Estimated Date of Completion: Completed: 3/12/2007

Recommendation 2:

Field Operations Management should formally request the contractor at DHGC require that all power to fuel pumps be turned off each night.

Management Response: This has been done as well as a timer has been installed to insure that the pumps are shut off after hours.

Estimated Date of Completion: Completed: 1/16/2007

Recommendation 3:

Field Operations Management should evaluate the security of the gates and supply area and consider installing enhanced locks and alarming the entrance gates.

Management Response: The Department has requested evaluation and estimate from security contractor. The Department will install recommended system. Both gates will be alarmed by 5/30/07.

Estimated Date of Completion: 5/30/2007

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**2. ICR 034 Internal Control Review: Leisure Services (Community Schools)
Soccer Tournament**

Recommendation 1:

Leisure Services Management should evaluate and document its internal field scheduling process and require more complete information and justification from employees for the requested use of its fields. Forms could be created requiring users to answer specific questions about the intended use of a field and whether any outside organizations are involved. Management should closely scrutinize the field usage requests. The required management approvals for the field usage requests should be identified.

Management Response:

The current Field Request form and associated materials will be reviewed with the intent of standardization. The procedure for requesting the use of fields will be reviewed and revised where necessary. The Sports and Adaptive Division will provide a Field Request procedure on behalf of the Department of Leisure Services.

Estimated Date of Completion:

The requisition procedure and accompanying training will be completed by February 2007

Recommendation 2:

Leisure Services Management should take steps to educate its employees on departmental and city policies in working or entering into agreements with outside organizations.

Management Response:

The Recreation Division agrees with the findings and recommendations of the auditors and will do the following. The Recreation Division will review and, if necessary, refine its existing policy on staff interactions and arrangements dealing with outside organizations. Our division will also conduct staff trainings to ensure that all Recreation Division personnel are familiar with and follow the procedures outlined in the existing or revised policies and guidelines dealing with outside organizations.

Estimated Date of Completion:

This task will be completed by February 2007

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3. ICR 035 Internal Control Review: Fleet Services – Gas Card Theft

Recommendation 1: All CNG card pin numbers should be kept confidential. The pin numbers should not be written on the card carrying sleeves.

Management Response: A written Policy will be formulated and disseminated to all City departments establishing strict guidelines regarding PIN numbers for those operating and using City vehicles with a card-lock control access for fuel.

Estimated Date of Completion: April 1, 2007

Recommendation 2: Fleet Services in coordination with the CNG fuel distributor should restrict CNG card usage for CNG and to specific localities.

Management Response: This task has been accomplished. Management met with the vendor on January 12, 2007 and assurances were given that fuel access for all card-lock cards for CNG used by the City of Las Vegas was restricted for that fuel use only in the local area.

Estimated Date of Completion: January 12, 2007

Recommendation 3: Detention & Enforcement should establish a process whereby Fleet Services management is alerted when a city vehicle is involved in an incident.

Management Response: Conversations have taken place and agreement reached by Detention & Enforcement staff that protocols are now in place to inform Fleet Management the same day that any future similar incident may occur.

Estimated Date of Completion: January 31, 2007